

TOP SECRET



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26 March 1952

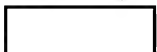
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CENTRAL INTELLIGENCE AGENCY



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SOVIET UNION

1. Soviet position on German elections and frontiers reaffirmed:

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Upon receipt of the Western answer to the Soviet proposal for a German peace treaty, Soviet Foreign Minister Vishinsky reaffirmed Soviet opposition to a UN-sponsored investigation of electoral conditions in East Germany.

The Soviet Foreign Minister reiterated to the American Charge that the USSR considered membership in the North Atlantic Treaty Organization incompatible with the principles of the UN, but maintained that it was not unnatural for a sovereign state to have its own defense forces.

With regard to the question of German frontiers, Vishinsky said that contrary to the interpretation contained in the United States' note, the Potsdam Conference had finally defined the Polish and German frontiers.

FAR EAST

2. French High Commissioner disturbed over situation in Cambodia:

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Acting High Commissioner Gautier has told American Minister Heath that he is extremely disturbed over what he considers a deteriorating political and security situation in Cambodia.

The French official cited the anti-French attitude of the Democratic Party cabinet, the King's "timidity," and the recent defection to the rebels of two widely popular and politically influential Cambodian leaders.

Heath considers the situation "disquieting but not immediately dangerous" and attributes most of the French troubles in Cambodia to lack of a friendly approach and the persistence of "a martinet old-line colonial" attitude on the part of French officialdom.

Comment: Opposition to French hegemony among Cambodian leaders, heretofore relatively quiescent, has become increasingly active as the authority and competence of the Cambodian Government have been strengthened.

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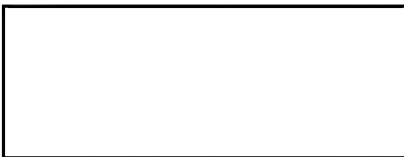
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NEAR EAST - AFRICA

4. British Ambassador pessimistic over Anglo-Egyptian situation:

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According to the British Ambassador in Cairo, Anglo-Egyptian relations have deteriorated so drastically that the Western proposal for a Middle East Command can no longer be considered useful in solving the dispute.

The Ambassador intends to suggest to his government in London that the early removal of the British military headquarters from Egypt be considered. He will also recommend that further study be given to the possibility of establishing a sizable British garrison at Gaza, in Palestine.

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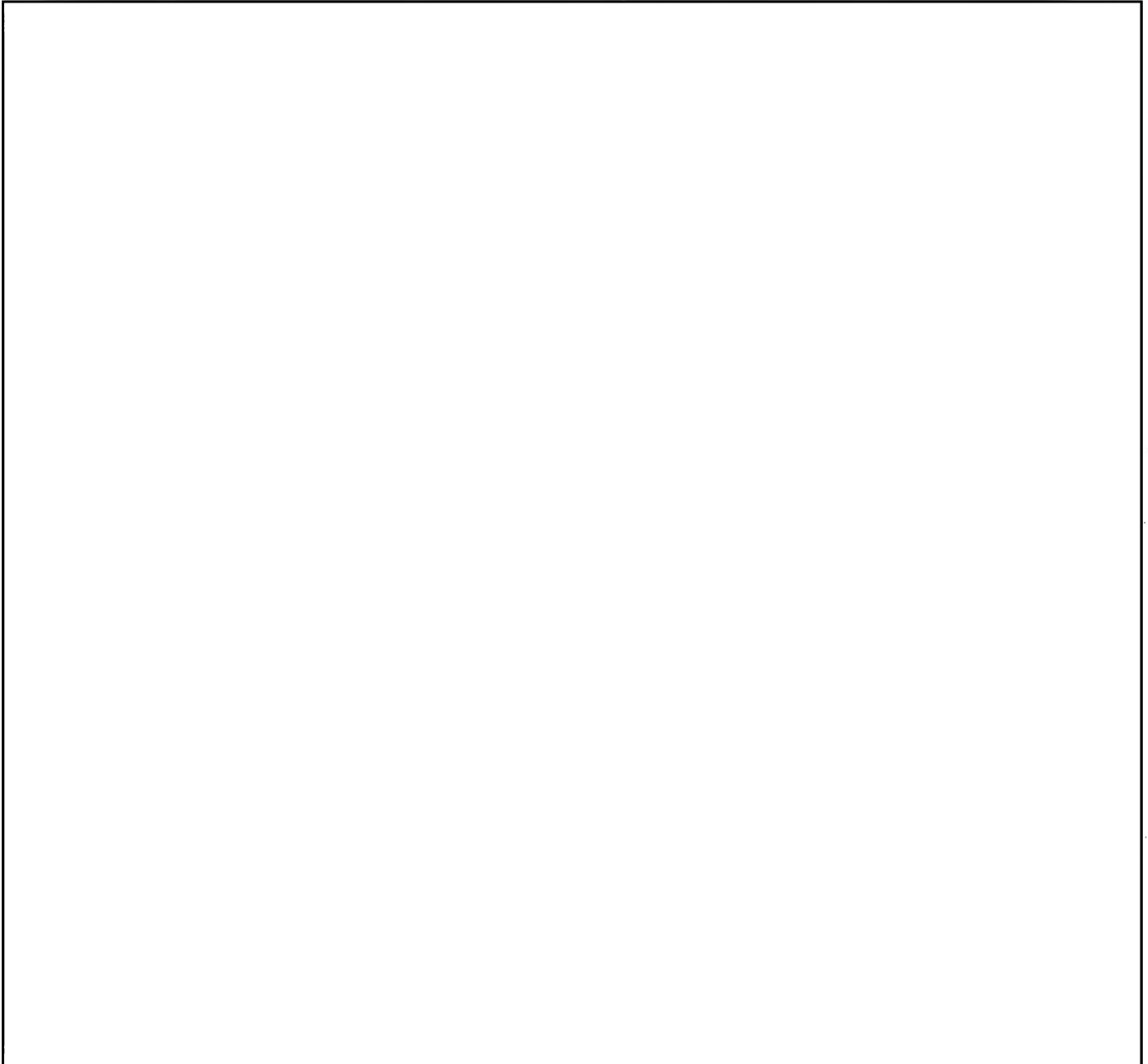
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Comment: The recent views of the British and American Ambassadors in Cairo emphasize the continuing divergence of outlook between Egypt and Britain. Until one side or the other compromises -- and there is no evidence to date that either is ready to do so -- genuine negotiations are impossible.

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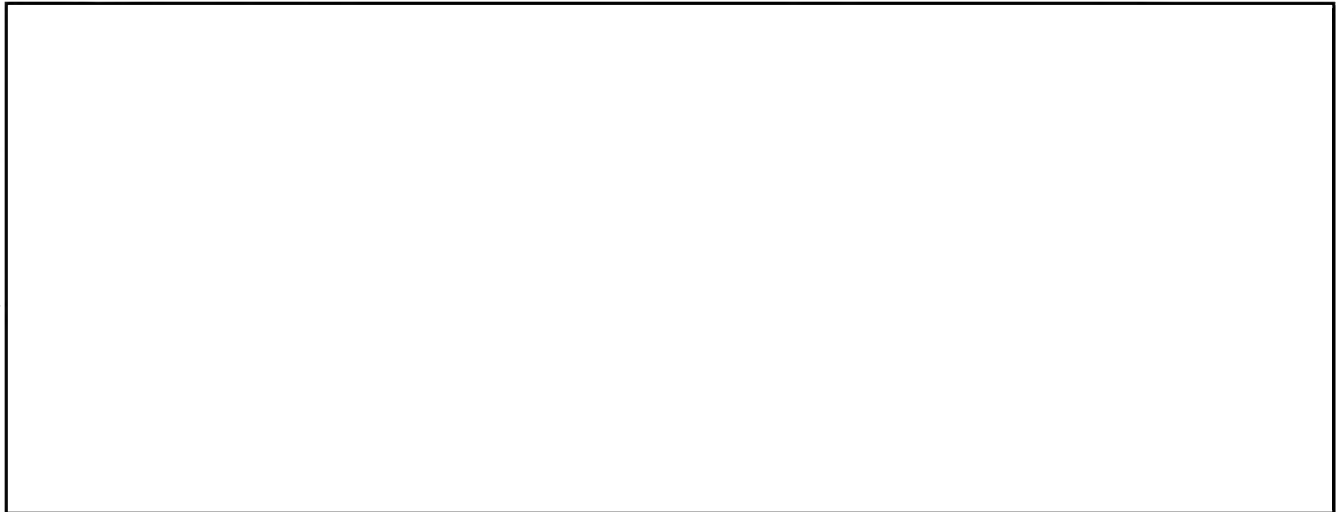


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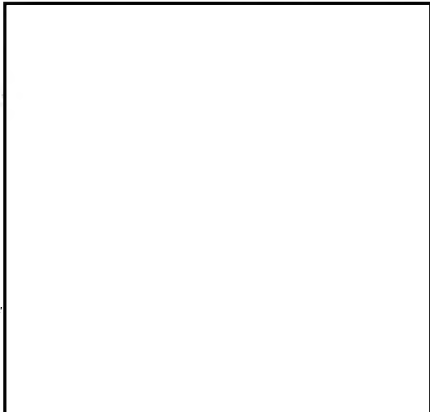
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WESTERN EUROPE

7. Some hope seen for Saar settlement:

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American representatives in France and West Germany, commenting on the 20 March talks between leading French, German, and Saar officials, believe that future negotiations may result in a settlement of the Saar issue, or at least a temporary truce. They observe, however, that the recent tug-of-war over interpretations of the "agreement" announced after the talks indicates that there was no real meeting of minds.

Although US High Commissioner McCloy notes that heated French-German arguments over the Saar usually subside in a few days, he warns that the Social Democrats are likely to raise the issue in the Bundestag as well as in the Council of Europe's forthcoming Assembly meeting.

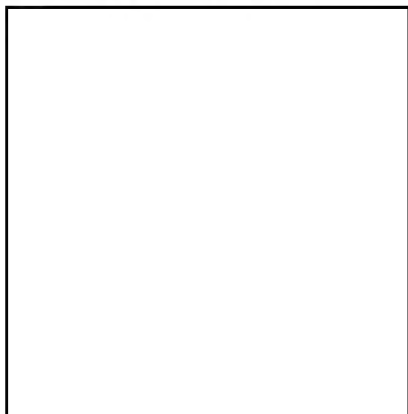
American officials in Paris emphasize the importance, in the present dispute, of the French fear that the Germans are stressing the need for free elections in the hope of obtaining a new government which would repudiate France's favored economic position in the territory.

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8. Italy protests to Britain and United States regarding Trieste problem:

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Italian Premier de Gasperi has forwarded to British Foreign Secretary Eden several "suggestions" for "improving" the situation in the Free Territory of Trieste. The first is that Britain restate its support of Italy's claim to the territory, and that the British statement refer to the "essentially Italian character of Trieste." He also suggests that elections in Trieste be announced for 25 May, a position in which he is supported by the US Embassy in Rome. De Gasperi further proposes that the United States, British and Italian Governments discuss the future status of Zone A.

In Trieste Italian officials continue to agitate against the Allied Military Government. The neo-Fascists, who helped spark the demonstrations, are generally pleased with the furor they have created. The Communists, having protested against the Allied Military Government's "brutality and undemocratic policy," are "keeping clear and playing a waiting game."

Comment: The most serious aspect of the Trieste disturbances is that they show the extent to which the Italian Government has yielded to nationalist and neo-Fascist influences in encouraging the disorders. American observers expect little change in the Italian attitude in view of the forthcoming local and national elections.

9. New wave of Communist-promoted strikes damaging Italian economy:

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A new wave of strikes throughout Italy promoted by the Communist-dominated General Confederation of Labor is having serious economic repercussions. American Embassy officials in Rome believe that the non-Communist labor unions are having difficulty restraining their members from supporting these work stoppages.

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Most of the current trouble is in the mechanical, metallurgical, mining, chemical, and ceramics industries. The strikes seem to be following a carefully planned pattern, taking place in different industries on different days.

Comment: Labor unrest in Italy, besides slowing down the defense production program, is also likely to jeopardize the chances of the present government parties in the coming spring elections in the south.

The Communist-promoted "chain-reaction" pattern of strikes began over a month ago after the Fiat factory in Turin fired a number of employees for engaging in political activity while at work. The rising dissatisfaction among factory workers over the discrepancy between wages and prices has made it easy for Communist agitators to induce many non-Communists to join in the strikes.

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